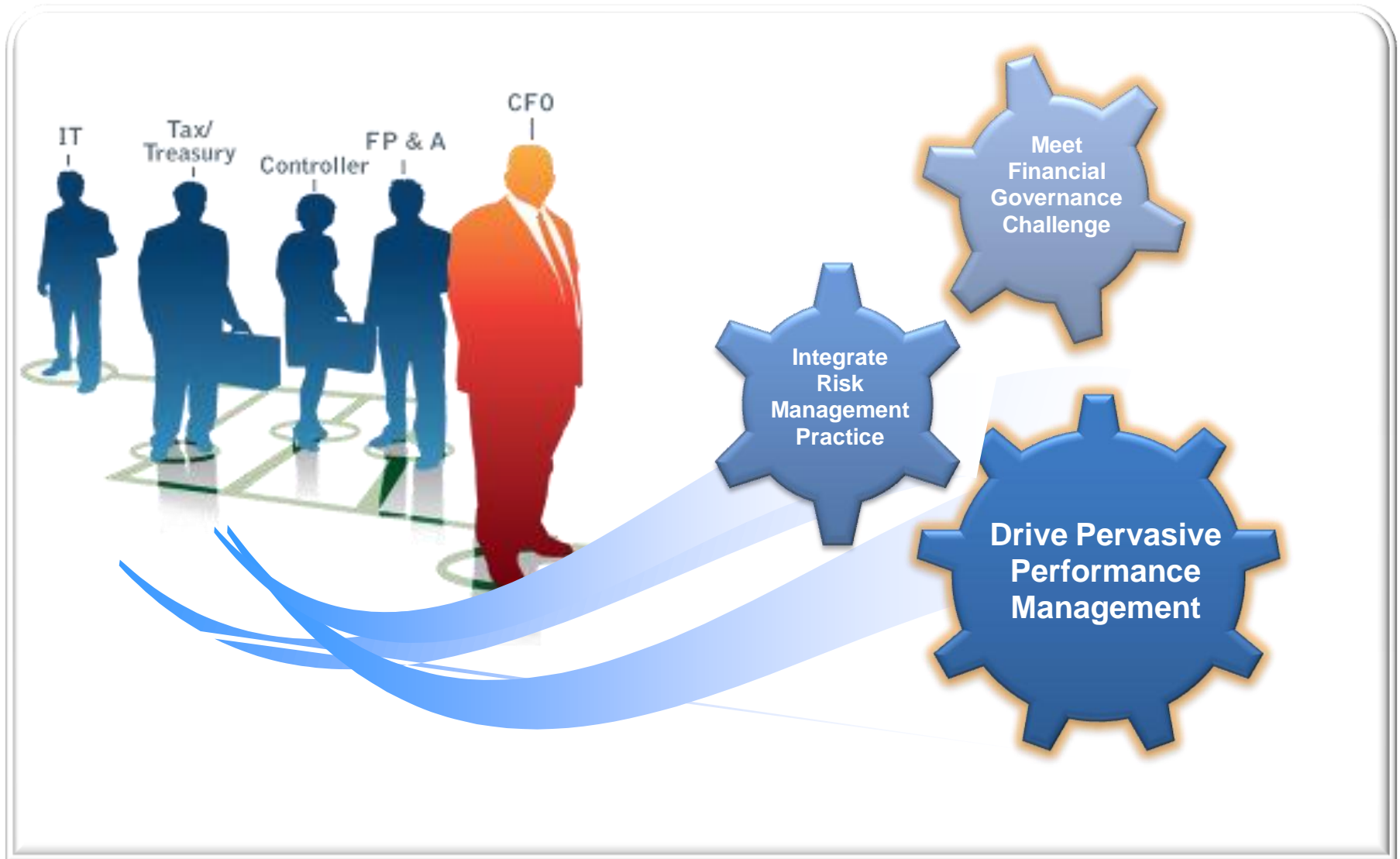# Smarter Financial Governance And Disclosure

Yong Weng Onn
Solution Architect, Cognos FSR
email: yongwo@my.ibm.com

Strategic Focus on Financial Performance & Strategy Management

Complete Coverage of Financial Governance Processes

Accounting Close & Analysis

Financial Consolidations

External Reporting

Filing & Output Requirements

ERP

ERP

DW

Financial Transaction Reporting and Analysis "First Mile"

Reconciliation Management

Continuous Controls

Mostly spread sheet based solution

Multi-GAAP Consolidation & Mgmt Reporting

Accuracy & Internal Controls

Collaborative Statement & Filing Preparation "Last Mile"
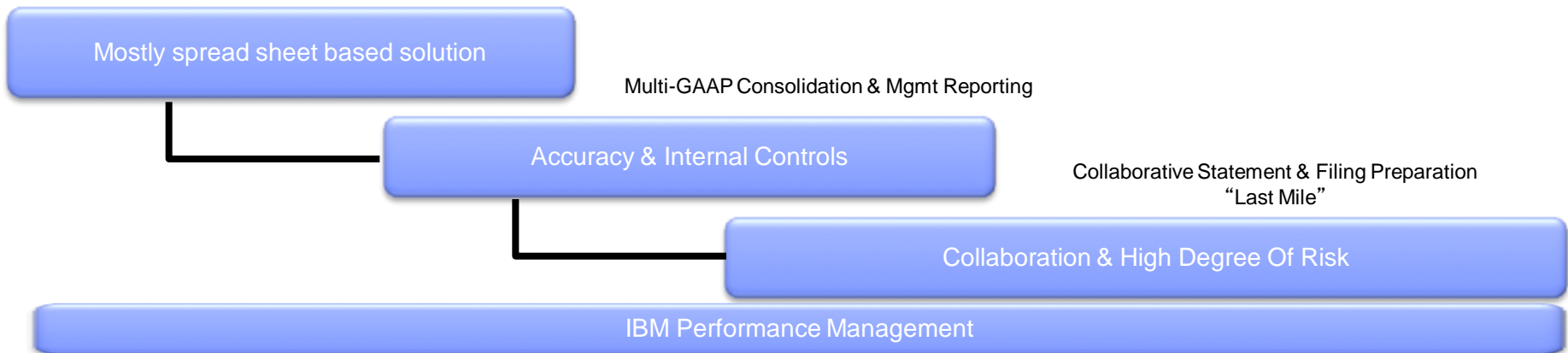
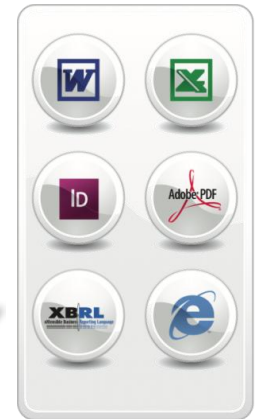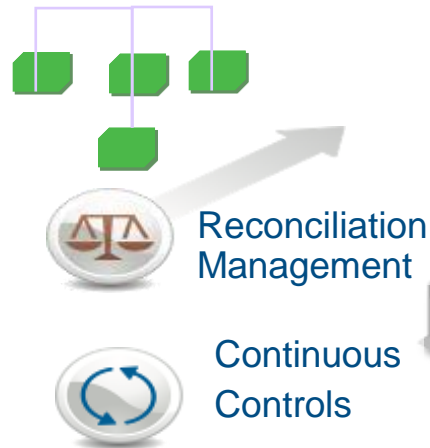Collaboration & High Degree Of Risk
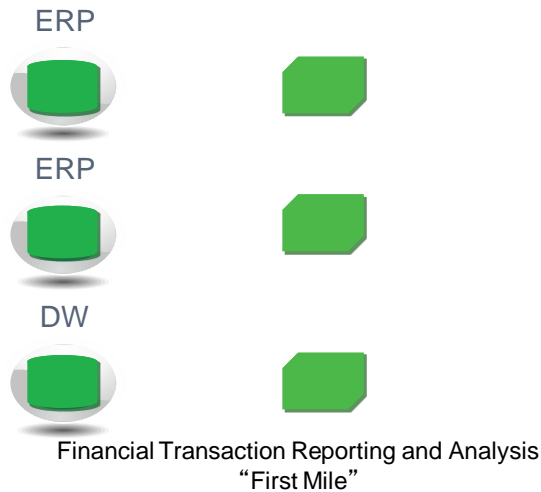
IBM Performance Management

Complete Coverage of Financial Governance Processes

Accounting Close & Analysis

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ERP

ERP

DW

Reconciliation Management

Continuous Controls

Financial Transaction Reporting and Analysis
"First Mile"

IBM Cognos Business Intelligence & Financial Analytic Applications

Multi-GAAP Consolidation & Mgmt Reporting

IBM Cognos Controller & TM1

Collaborative Statement & Filing Preparation
"Last Mile"

IBM Cognos Financial Statement Reporting (FSR)

IBM Performance Management (PM)

What are the Financial Consolidation Challenges?

Financial Consolidations

CLOSE	CONSOLIDATE	REPORT

First Mile	Consolidation	Last Mile

Closing Process *(Consolidation System)*
- Data Input & Changes
- Collect From Subsidiaries

Closing Process *(Accounting Processes)*
- Close Sub Ledgers and Systems
- Account Reconciliation
- Intercompany transactions *(10.1)*
- Prepare journal entries: accruals & adjustments
- Audit trail *(10.1)*

Consolidation *(Consolidation System)*
- **Create single currencies**
- **Minority interest holdings**
- **Intercompany eliminations**
- **Group closing adj.**
- **Management adjustments**
- **Allocations**
- **Advanced formula calc.**
- **Business rules**

Internal controls & compliance testing

Reporting *(Consolidation System)*

Internal Reporting
- Financial reporting adjustments
- Cash flow & other preparation

External Reporting
- Financial statement preparation
- Publish quarterly, annual reports

Reporting *(Reporting Systems)*
- Financial reporting
- BI reporting
- Last mile *(10.1)*

Compliance & Control

- Financial Information & Consolidation done in Excel

- Consolidation Adjustments kept in Excel

- Challenges in Managing and Tracking Business & Accounting Changes

- Too Long to Close the Book

- Data Integrity Concerns

- Compliance Concerns

- Lack of Enterprise Visibility

IBM Cognos Controller – Consolidation Process

Collect and Certify

- *Multiple data entry options – users and systems*

- *Import from source systems with data lineage*

- *Workflow to manage data collection*

- *Data reconciliation and approval*

- *Internal controls & audit checklist*

- *Multiple entity rollups & structures, multiple versions*

- *Extended business segments*

- *Apply automated and manual adjustments*

- *Sophisticated currency accounting*

- *Intercompany eliminations*

- *Complex ownership adjustments, joint ventures*

- *Automate and schedule*

Consolidate

6

IBM Cognos Controller – Consolidation Process

Prepare

- *Automated and manual adjustments*

- *Text commentary and other supporting documents*

- *In-process reporting to certify financial results*

- *Deliver multiple GAAP accounts e.g. IFRS, local GAAP, in a visible, easy-to-use environment*

- *Track and audit different report adjustments*

- *Real-time in-process closing reports*

- *Complex accounting reports for inter-company, investments, journal entry reconciliation, etc.*

- *Direct custom data access via Excel*

- *Automated data publish for reporting & Management reports, ad-hoc analysis – thru Cognos Business Intelligence*

- *World-class reporting & filing thru Cognos FSR (books, external stmts and XBRL), and Cognos 10 (production reports, dashboards, scorecards)*

Reporting

IBM Cognos Controller – Value Proposition

A single & complete solution to :

✓ Automate Entire Close Process

✓ Reduce Close Cycle Time

✓ Ensure Data Integrity

✓ Gain Transparency for Sustained Compliance

✓ Provide a Single Version of Truth

Consolidation Solution - Customers in ASEAN
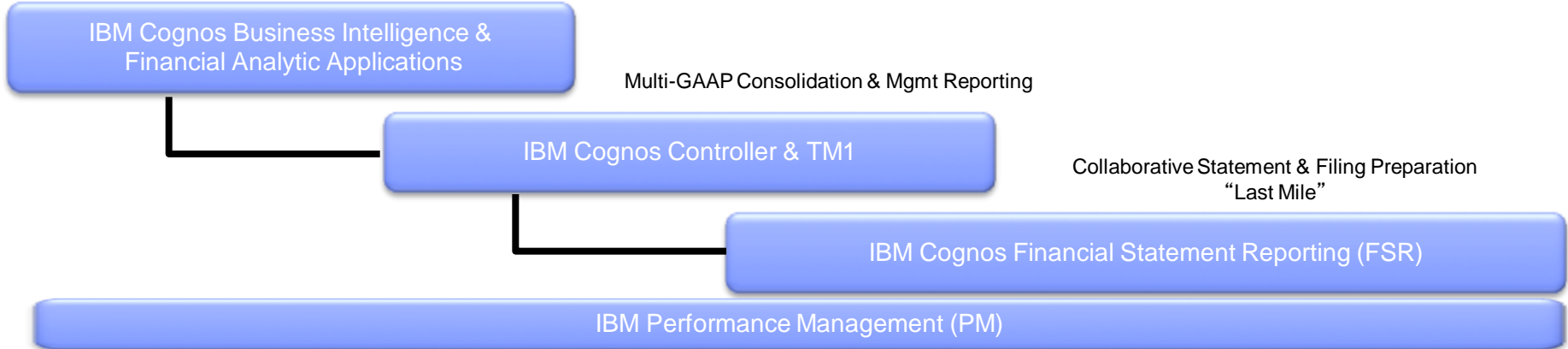
Consolidation Solution - Customers in ASEAN (con't)

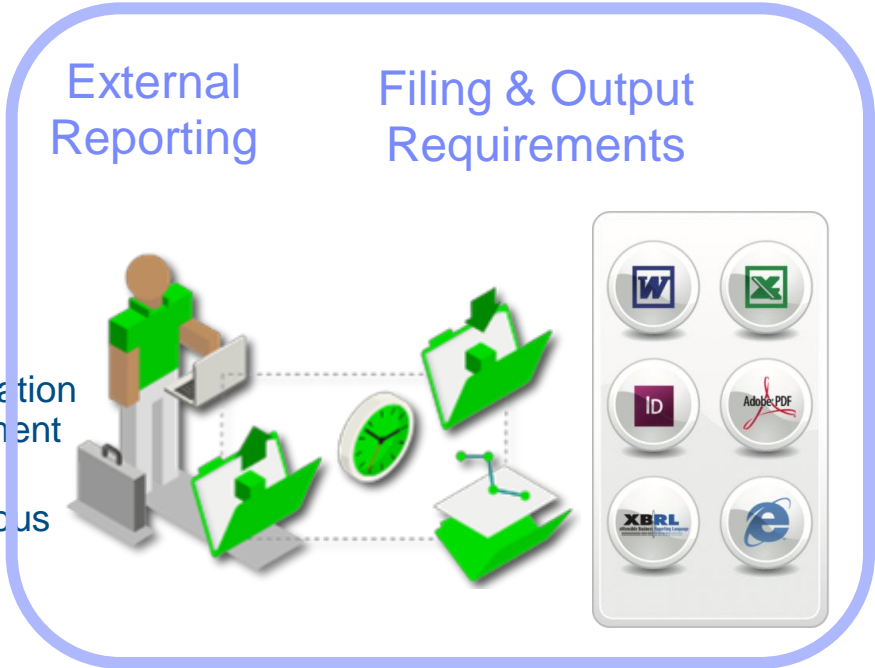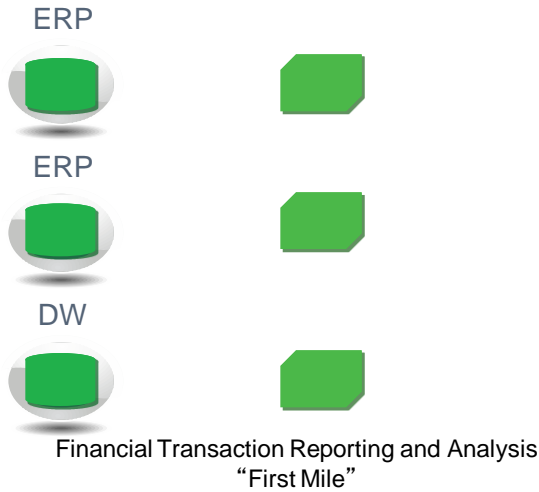# Complete Coverage of Financial Governance Processes

Accounting Close & Analysis

Financial Consolidations
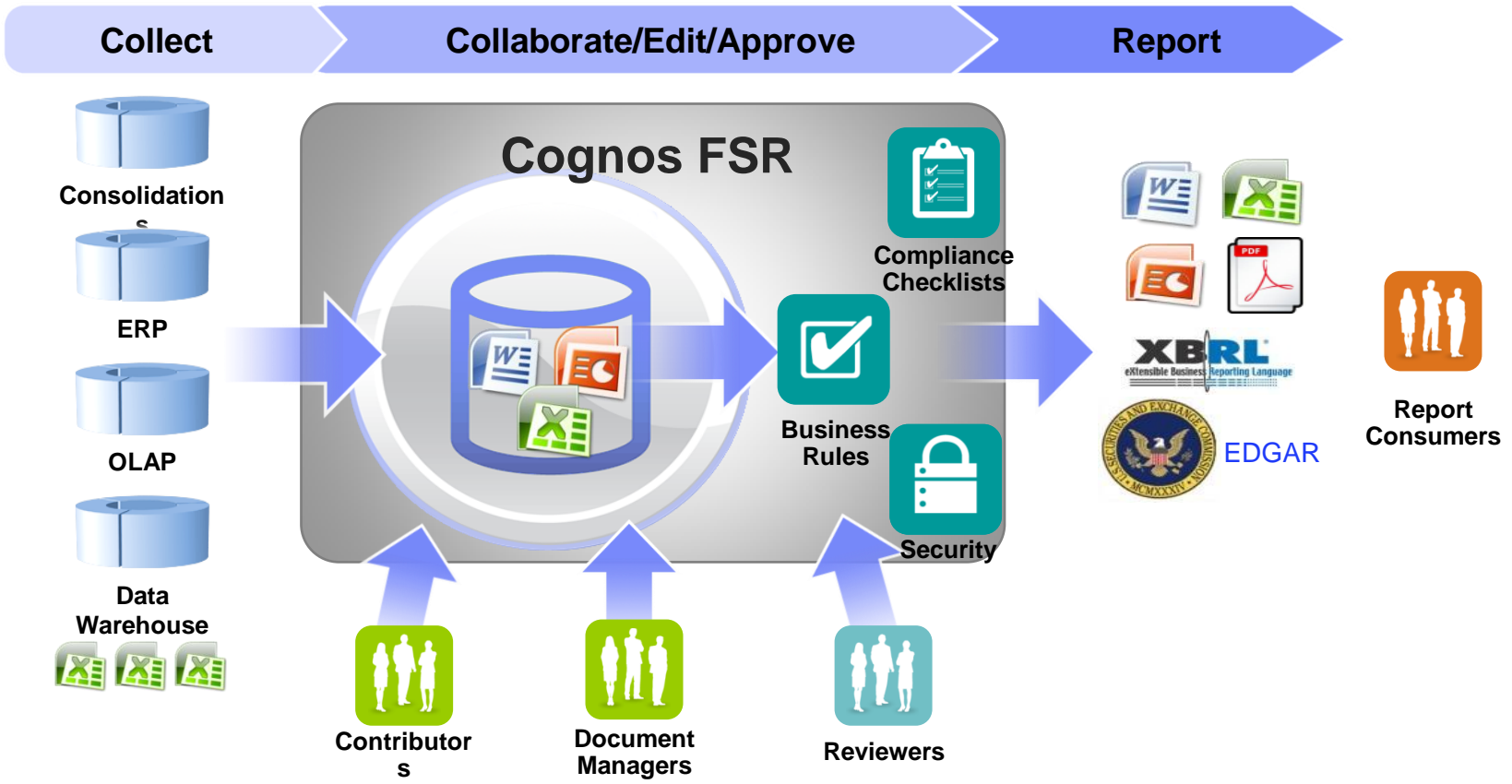
External Reporting

Filing & Output Requirements

ERP

ERP

DW

Financial Transaction Reporting and Analysis "First Mile"

Reconciliation Management

Continuous Controls

IBM Cognos Business Intelligence & Financial Analytic Applications

Multi-GAAP Consolidation & Mgmt Reporting

IBM Cognos Controller & TM1

Collaborative Statement & Filing Preparation "Last Mile"

IBM Cognos Financial Statement Reporting (FSR)

IBM Performance Management (PM)

The Last Mile in Financial Reporting – The Challenges

The Last Mile

| Planning Modeling | Budgeting Forecasting | Consolidation Reporting | | Board Book, 10-K, 10-Q, Annual Report, Prospectus |
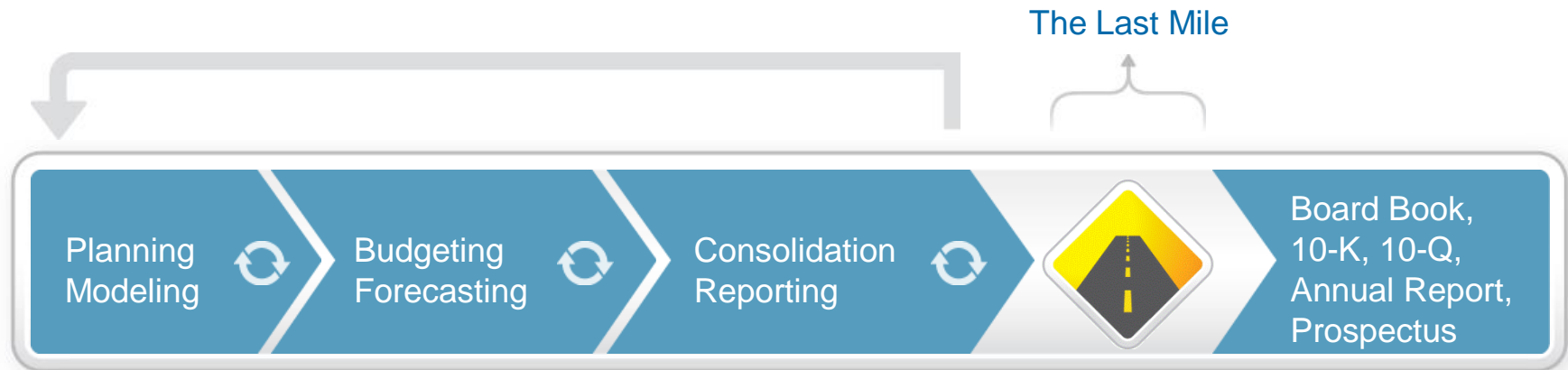
- Manual processes dominate "The Last Mile"
  - Extensive use of MS-Word and MS-Excel, shared via e-mail
  - Data accuracy issues
  - Collaboration is difficult
  - No internal controls
  - No audit trail
  - High degree of risk
  - Manual process is repeated each reporting period

Cognos FSR – how it works

| Collect | Collaborate/Edit/Approve | Report |

Consolidations

ERP

OLAP

Data Warehouse

Cognos FSR

Compliance Checklists

Business Rules

Security

Contributors

Document Managers

Reviewers

XBRL
eXtensible Business Reporting Language

EDGAR

Report Consumers

- Direct access to source data
- Driven from a central, secure database
- Leverage the tools in use: Word and Excel
- Changes dynamically updated in reports

- Powerful, collaborative environment
- Workflow and task management
- Embedded controls, security & validation
- Multiple output formats

13

1

# How do customers use Cognos FSR?

Cognos FSR transforms the way finance/accounting/legal departments manage and deliver critically important, narrative rich financial and management content sensitive documents:

- External Reporting (Annual Report, Qtrly Report, Compliance Reports, etc)
- Internal Financial and Management Reporting
- Integrated XBRL tagging solution
- Regulatory Reporting
- Public Sector Reporting
- Corporate Social Responsibility (CSR) Reporting
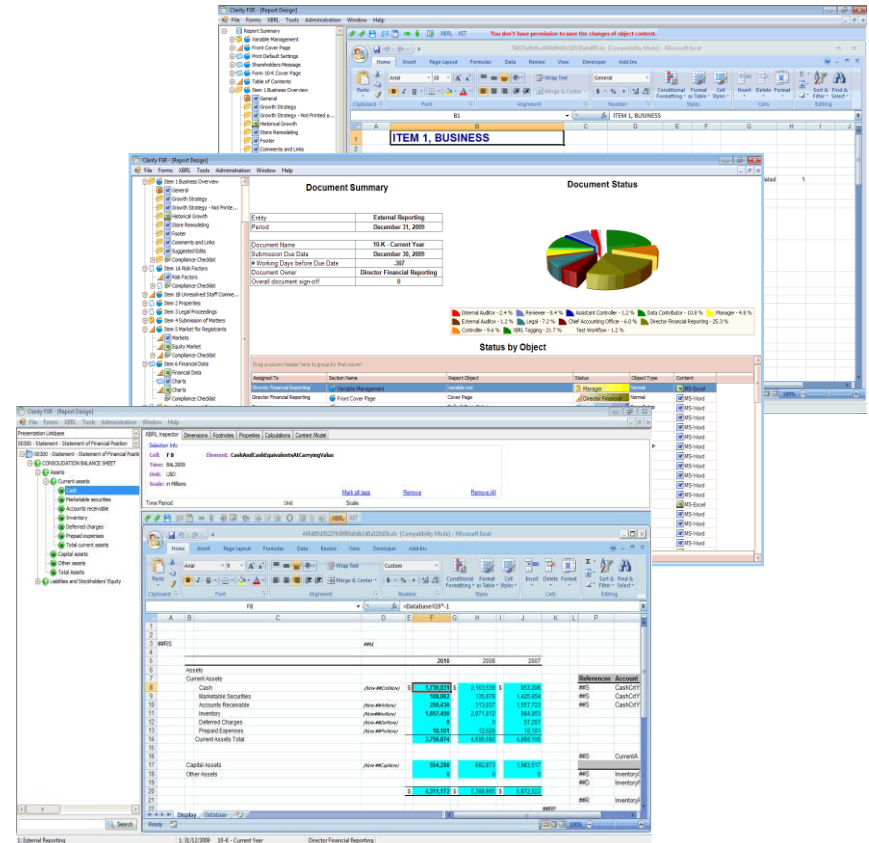
Manual Reporting Cycle

Current Process
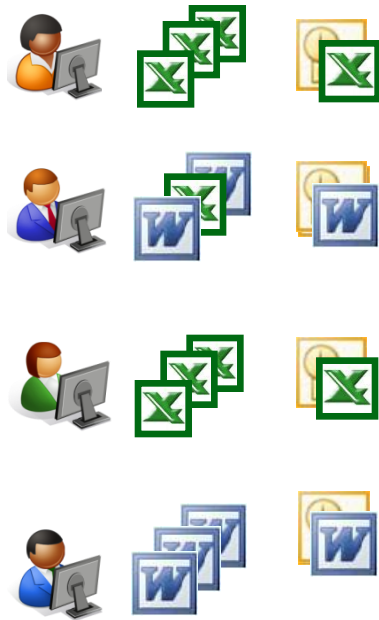
Numerous e-mails & numerous versions of each document

Document Manager

Contributors

ITEM 6. FINANCIALDATA

(In thousands, except per share amounts, ratios and other) **Summary of Operations**	2009	2008	2007
Net sales	$ 4,576,528	$ 6,225,909	$ 3,661,222
Comparable store sales increase (decrease)	1.13	1.31	1.69
Gross profit	$ 3,299,130	$ 2,957,989	$ 2,639,304
Gross profit as a percentage of net sales	72%	48%	72%
Operating income	$ 2,287,684	$ 1,501,437	$ 1,830,139
Operating income as a percentage of net sales	50%	24%	50%

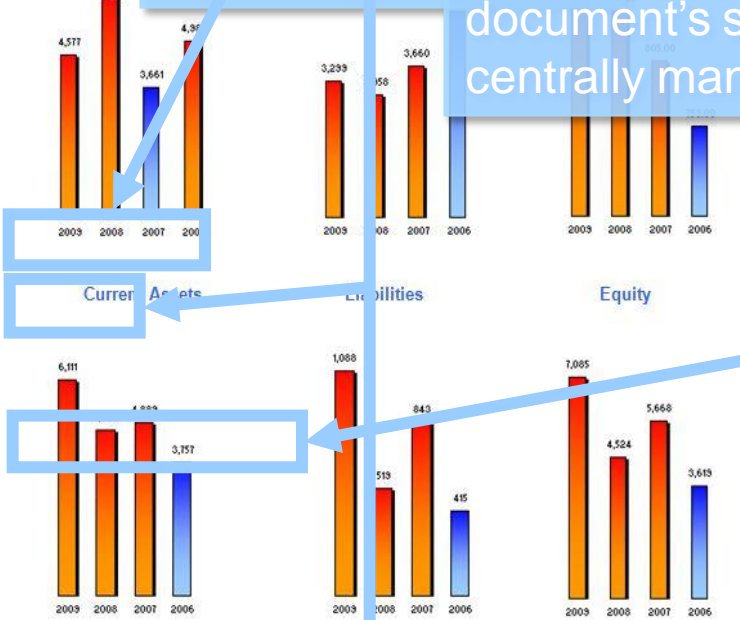**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This report contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as "expects," "anticipates," "believes," "estimates" and other similar expressions or future or conditional verbs such as "will," "should," "would" and "could" are intended to identify such forward-looking statements. Readers of the Form 10-k of office supplies INC Corporation not rely solely on the forward-looking statements and should consider all uncertainties and risks throughout this report as well as those discussed under Item 1A. "Risk Factors" of the Annual Report on Form 10-K. The statements are representative only as of the date they are made, and the Corporation undertakes no obligation to update any forward-looking statement.

Possible events or factors that could cause results or performance to differ materially from those expressed in our forward-looking statements include the following: Changes in general economic conditions and economic conditions in the geographic regions and industries in which... may affect, among other things, the level of nonperforming assets... sale environment and market liquidity which may reduce interest... ability to originate and distribute financial products... movements and volatility in... may adversely impact the value of financial... and other similar financial liabilities resulting from litigation and regulatory... changes in domestic or foreign tax laws, rules and... other governmental agencies' interpretations thereof; various monetary and fiscal policies and regulations, including those determined by the Board of Governors of the Federal... the Federal Deposit Insurance Corporation, state regulators... accounting standards, rules and interpretations; competition with other... institutions and other nonbank financial institutions; ability to grow core business... ability to develop and introduce new banking-related products, services and enhancements, and gain market acceptance of such products; mergers and acquisitions and their integration into the Corporation; decisions to downsize, sell or close units or otherwise change the business mix of the Corporation; and management's ability to manage these and other risks.

Liquidity Risk

Liquidity is the ongoing ability to accommodate liability maturities and deposit withdrawals, fund asset growth and business operations, and meet contractual obligations through unconstrained access to funding at reasonable market rates. Liquidity management involves forecasting funding requirements and maintaining sufficient capacity to meet the needs and accommodate fluctuations in asset and liability levels due to changes in our business operations or unanticipated events. A more detailed discussion of our liquidity risk is included beginning of the MD&A of the Corporation's 2008 Annual Report on Form 10-K.

The company maintains a cushion of excess liquidity that would be sufficient to fully fund the holding company and nonbank affiliate operations for an extended period during which funding from normal sources is disrupted. The primary measure used to assess the company's liquidity is the "Time to Required Funding" during such a period of liquidity disruption. This measure assumes that the parent company is unable to generate funds from debt or equity issuance, and no longer pays dividends to shareholders while continuing to meet nondiscretionary uses needed to maintain bank operations and repayment of contractual principal and interest payments owed. Under this scenario, the amount of time the company and its nonbank can operate and meet all obligations before the current liquid assets are exhausted is considered the "Time to Required Funding." ALCO approves the target range set for this metric, in months, and monitors adherence to the target. Maintaining excess company cash helps to facilitate the target range months for "Time to Required Funding" and is the primary driver of the timing and amount of the Corporation's debt issuances. As of March 31, 2008, "Time to Required Funding" was 20 months compared to 19 months at December 31, 2008. Our "Time to Required Funding" remained below our target range at March 31, 2008 primarily due to the funding of LaSalle and the impact of the market disruptions that began in the second half of 2006 on our earnings.

One ratio that can be used to monitor the stability of funding composition is the "loan to domestic deposit" ratio. This ratio reflects the percent of loans and leases that are funded by domestic core deposits, a relatively stable funding source.
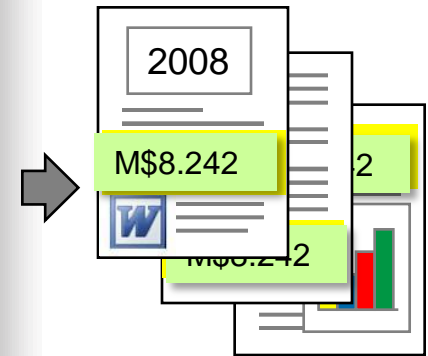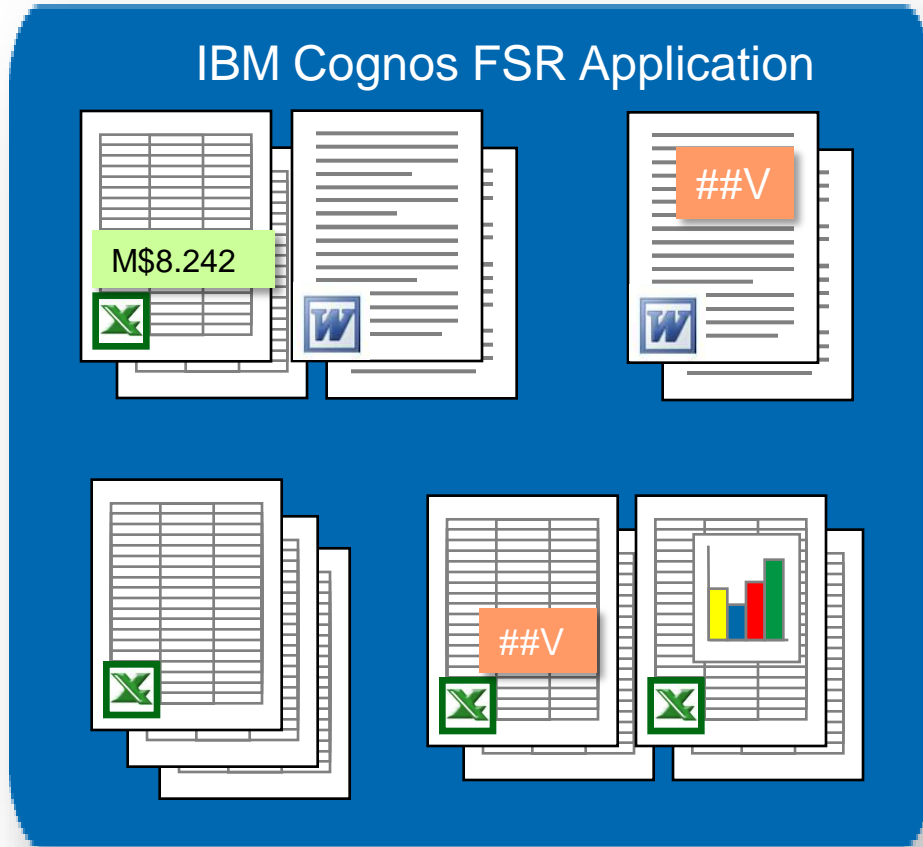
Text and narrative from Word

Financial data &

What if….we could integrate all of the document's separate elements into one centrally managed collaborative report?

IBM Cognos FSR – How it works

Data Sources

Variables (##V) permit dynamic updates of numeric data in text and change when the Source data changes

Variables in Text – Word Object

Reinsurance and other amounts recoverable reflect amounts due from reinsurers and policyholders to cover incurred but not reported **and** pending claims for **minimum premium products and certain** administrative services only business where the right of offset **does** not exist. See Note 10 for additional information on reinsurance. For three months ended March 31, 2009, actual experience differed from the Company's key assumptions resulting in ##D<cqi favorable incurred claims related to prior years' claims payable of $40 million, or 0.5% of the current year ##D<as reported for the year of the ended December 31, 2008. Actual completion factors resulted in a ##D<cye-reduction in medical claims payable of $17 million or 0.2% of the current year incurred claims payable of $##D<cqqheamcptrend for the year ended December 31, 2008 for the insured book of business. Actual medical cost trend resulted in a reduction in medical claims payable of $23 million or 0.3% of the current year incurred claims as reported for the year ##D< December 31, 2008 for the insured book of business. $##D<cqqheamcptrend> million, or ##D<cqqheamcptrend%> of the current year incurred claims as reported for the year ended ##D<cye-1> for the insured book of business.

Automates the creation of reports using variables

The word "favorable", the amount 0.5% and $40million is being represented by a variable. When the data changes, eg. The revenue changes from $40 million to $30 million, the % will change, eg. 0.35% and word "favorable" will change to "decrease" automatically

OFFICE SUPPLIES INC
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED December 31, 2009

		2009		2008
Assets				
Current Assets				
Cash (Note 3)	$	1,066,510	$	2,163,539
Marketable Securities		1,782,318		135,078
Accounts Receivable (Note 4)		1,947,154		313,037
Inventory (Note 5)				2,071,812
Deferred Charges (Note 6)		71,584		
Prepaid Expenses (Note 7)		12,626		12,626
Current Assets Total		6,111,382		4,696,092
Capital Assets (Note 8)		2,479,397		692,873
	$	8,590,779	$	5,388,965

		2009		2008	
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities (Note 9)	$	794,005	$	177,041	$
Taxes payable (1)		121,053		322,930	
Deferred revenue		104,195		-	
Vacation payable		34,193		18,603	
Current portion of long term debt		35,000		23,450	
		1,088,446		542,024	
Long term debt (Note 10)		380,520		286,070	
Other liabilities		36,676		36,676	
Total liabilities		1,505,642		864,770	
Commitments and contingencies		-		-	
Stockholders' equity:					
Preferred stock, par value $ 1 per share, 100000000 shares authorized, 45000000 issues and outstanding		51,000		96,000	
Common stock, par value $0.50 per share, 500,000,000 shares authorized, 102,000,000 and 192,000,000 issues and outstanding, respectively		45,000		-	
Additional paid-in capital		68,600		68,600	
Retained earnings		6,915,537		4,354,595	
Accumulated other comprehensive income		5,000		5,000	

Print Preview

One Page | Two Pages | Page Width | Show Ruler | Magnifier | Shrink One Page | Next Page | Previous Page | Close Print Preview

Print | Options | Margins | Orientation | Size | Zoom | 100%

Print | Page Setup | Zoom | Preview

New values assigned to date variables

Current year data imported and rolls straight into report

OFFICE SUPPLIES INC
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED December 31, 2009

	2008	2007
Assets		
Current Assets		
	$ 2,163,539	$ 853,208
Marketable Securities	135,078	1,425,854
Accounts Receivable (Note 4)	313,037	1,557,723
Inventory (Note 5)	2,071,812	984,953
Deferred Charges (Note 6)	-	57,267
Prepaid Expenses (Note 7)	12,626	10,101
Current Assets Total	4,696,092	4,889,106
Capital Assets (Note 8)	692,873	1,983,517
	$ 5,388,965	$ 6,872,623

	2008	2007
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	177,041	$ 635,205
Taxes payable	322,930	96,842
Deferred revenue	-	83,356
Vacation payable	18,603	27,354
Current portion of long term debt	23,450	34,789
	542,024	877,546
Long term debt (Note 10)	286,070	297,627
Other liabilities	36,676	29,341
Total liabilities	864,770	1,204,514
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock, par value $ 1 per share, 100000000 shares authorized, 45000000 issues and outstanding	96,000	96,000
Common stock, par value $0.50 per share, 500,000,000 shares authorized, 102,000,000 and 192,000,000 issues and outstanding respectively	-	-
Additional paid-in capital	68,600	68,600
Retained earnings	354,595	5,532,429
Accumulated other comprehensive income	5,000	(28,920)

IBM Cognos FSR – The Benefits

Cognos FSR Features	Problems Solved	Results
• Link source data to report data • Optimized internal controls • Robust audit trail reporting • Business rules & validation	• Prevent late submission & material errors on regulatory & statutory filings • Prevent insider leaks • Enhance weak internal controls& financial governance framework	**Reduce risk**
• Data integration • Workflow • Automated roll – forward • Variables in text	• Eliminate manual data collection & consolidation • Eliminate re-keying of information • Secure environment or review & approval • Automate error checking	**Reduce Costs**
• Automatic report data refresh • Jumpstart report building with previous report • Collaborative environment allows multiple people to work on reports in parallel	• Eliminate bottlenecks & time consuming complex processes • Eliminate manual updates of report data • Automate error checking & correcting	**Reduce cycle time**
• Share content across reports • Colaboration/Multi-author Environment • Real-time data updates	• Enhances consistency & integrity reports • Optimize analysis with more collaboration • Ensure one version of the truth in critical reports	**Improved business insight**

What values do customers gain from Cognos FSR?

Gain Time

- Process is automated, reducing effort and the time to complete

- Easily create and maintain reports

Gain Control

- A solution owned by the business

- Visibility into the progress of the process

Gain Confidence

- Reduce risk of errors, late filings, non-compliance and insider leaks.

- Ensure accuracy at all times throughout the entire process

What if we gave you a solution to your issues?

• Will generate Error Free Reports

• With a short learning curve (retain MS Word Excel

•Allow collaboration with Audit Trail

•All changes to data dynamically driven

& Interested?

• Fast ramp up implementation

• Guaranteed to Work

• Hundreds of referenceable customers

– NO BAD REFERENCE YET!!!!

Resulting in <u>accurate</u> and up to date reports <u>instanteously</u>.

Customers in Asia Pacific

Allianz - Australia

ANZ Bank – Australia

Astro – Malaysia

Computershare Ltd - Australia

Elders – Australia

PT Telkom – Indonesia

Railcorp -Australia

Wilmar –Singapore

Hutchinson – Hong Kong

Tipco – Thailand

Central Bank of India - India

Thank You

IBM Smartphone Event Application

Question:

Which statement below describes a major characteristic of Cognos FSR solution?

a) Require manual process to create and maintain reports
b) Only a single use can modify a report at at one time
c) Allow users to change once – update everywhere in the report

Answer…..

Question:

Which statement below describes a major characteristic of Cognos FSR solution?

a) Require manual process to create and maintain reports
b) Only a single use can modify a report at at one time
c) Allow users to change once – update everywhere in the report

Answer is (c)

What our Controller customers say:

"The IBM Cognos solution is creating significant benefits for local controllers. The project has automated an entire reporting process, freeing individual controllers from this task."

Reporting and Consolidation Manager, Tecan Group Ltd.

'The IBM Cognos systems has allowed us to reduce the monthly reporting process – that 20% time saving has been invaluable'

New acquisitions and customers can be integrated into the system within one month, report accuracy is 100%, rigid budgeting has been replaced by flexible, continuous daily, weekly or monthly reporting.

Group Accountant, Chemring Plc.

"We are now able to provide more accurate data and faster reports to senior management," "In doing so, we can provide a more solid basis for decision-making and operational improvement."

Group Accountant, Imperial Tobacco

Reasons for choosing Controller
- *"Competitors are more complicated to implement".*
- *"Cognos is more "in-house" than your competitors". [e.g. Finance-owned and managed]*
- *"Cognos BI is richer in functionality".*
- *"On going maintenance is easier with Cognos"*

'We are not a stable operating environment in terms of acquisitions, disposals, reporting structures and finalized operating systems. As such the decision can be summarized as (IBM Cognos) Controller would be more easily adaptable to this fluid environment than your competitors'

Leading £2bn trade steel distributor

IBM Cognos Controller – Consolidation Process

Collect and Certify

- *Multiple data entry options – users and systems*

- *Import from source systems with data lineage*

- *Workflow to manage data collection*

- *Data reconciliation and approval*

- *Internal controls & audit checklist*

Consolidate

- *Multiple entity rollups & structures, multiple versions*

- *Extended business segments*

- *Apply automated and manual adjustments*

- *Sophisticated currency accounting*

- *Intercompany eliminations*

- *Complex ownership adjustments, joint ventures*

- *Automate and schedule*

IBM Cognos Controller – Consolidation Solutions

| CLOSE | CONSOLIDATE | REPORT |

| First Mile | Consolidation | Last Mile |

Closing Process
(Consolidation System)

- *Data Input & Changes*
- *Collect From Subsidiaries*

Closing Process
(Accounting Processes)

- *Close Sub Ledgers and Systems*
- *Account Reconciliation*
- *Intercompany transactions* ⭐ 10.1
- *Prepare journal entries: accruals & adjustments*
- *Audit trail* ⭐ 10.1

Consolidation
(Consolidation System)

- **Create single currencies**
- **Minority interest holdings**
- **Intercompany eliminations**
- **Group closing adj.**
- **Management adjustments**
- **Allocations**
- **Advanced formula calc.**
- **Business rules**

Internal controls & compliance testing

Reporting
(Consolidation System)

Internal Reporting
- *Financial reporting adjustments*
- *Cash flow & other preparation*

External Reporting
- *Financial statement preparation*
- *Publish quarterly, annual reports*

Reporting
(Reporting Systems)
- *Financial reporting*
- *BI reporting*
- *Last mile* ⭐ 10.1

Compliance & Control

Pre built consolidation and reporting functionality
      Multi GAAP (IFRS, USGAAP, IAS…)
      Auto calculation of MI, Assoc profits….unrealized profits
      Advanced currency translation functions
Handles automatic journal calculations for eliminations
Keeps complete audit trail & audit information from import information
Consolidate multiple views such as legal, management or tax perspectives
Data consistency through validation process
Reconciled data for accuracy, with users notified immediately for any inconsistencies
Perform inter-company elimination in stages
Collect & present financial data in multiple reporting & transaction currencies
Commentary / explanatory information and attachments!
Extensible to management reporting
More than 200 pre-configured, out-of-the-box reports
Amend entities, organization structure or account details with no coding, scripting or complex language

Prepare

- *Automated and manual adjustments*

- *Text commentary and other supporting documents*

- *In-process reporting to certify financial results*

- *Deliver multiple GAAP accounts e.g. IFRS, local GAAP, in a visible, easy-to-use environment*

- *Track and audit different report adjustments*

Reporting

- *Real-time in-process closing reports*

- *Complex accounting reports for inter-company, investments, journal entry reconciliation, etc.*

- *Direct custom data access via Excel*

- *Automated data publish for BI & Management reports, ad-hoc analysis – thru TM1 OLAP*

- *World-class reporting & filing thru FSR (books, external stmts and XBRL), and Cognos 10 (production reports, dashboards, scorecards)*

IBM Cognos Controller 10.1: Meets Key Consolidation Process Requirements

Controller   **FP & A**

- *Single controlled environment*
- *Application configuration*
- *Audit tracking*
- *Internal controls*
- *Finance owned – ease of use*
- *IT infrastructure compliance*
- *Out-of-the-box functionality*
- *Consolidation workflow*
- *Security & access control*

Collect and Certify

- *Multiple data entry options – users and systems*
- *Import from source systems with data lineage*
- *Workflow to manage data collection*
- *Data reconciliation and approval*
- *Internal controls & audit checklist*

Consolidate

- *Multiple entity rollups & structures, multiple versions*
- *Extended business segments*
- *Apply automated and manual adjustments*
- *Sophisticated currency accounting*
- *Intercompany eliminations*
- *Complex ownership adjustments, joint ventures*
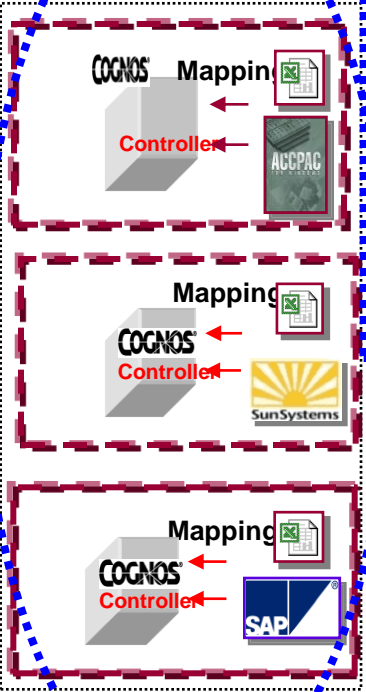- *Automate and schedule*

Prepare

- *Automated and manual adjustments*
- *Text commentary and other supporting documents*
- *In-process reporting to certify financial results*
- *Deliver multiple GAAP accounts e.g. IFRS, local GAAP, in a visible, easy-to-use environment*
- *Track and audit different report adjustments*

Report & Analyze

- *Real-time in-process closing reports*
- *Complex accounting reports for inter-company, investments, journal entry reconciliation, etc.*
- *Direct custom data access via Excel*
- *Automated data publish for BI & Management reports, ad-hoc analysis – thru TM1 OLAP*
- *World-class reporting & filing thru FSR (books, external stmts and XBRL), and Cognos 10 (production reports, dashboards, scorecards)*
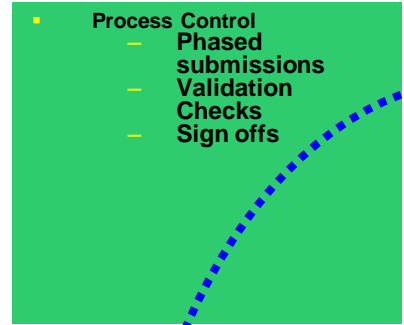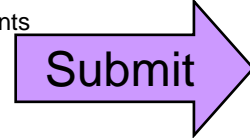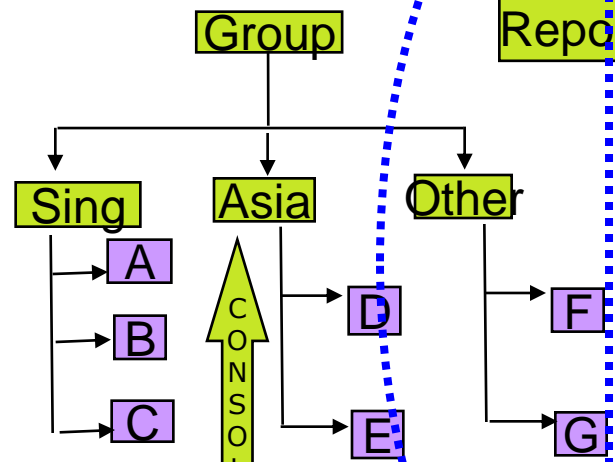
Consolidation Process

Company & Account structure

Mapping

Controller

Mapping

Controller

Mapping

Controller

Upload

- Local Currency

- Local GAAP adjustments

Submit

Role of Subsidiary

- Process Control
  - Phased submissions
  - Validation Checks
  - Sign offs

Reporting & Analysis

Reporting

Group

Sing | Asia | Other

A | D | F
B | |
C | E | G

C O N S O L I D A T E

- Translation
- Interco elims
- Equity elims
- Auto entries
- Audit trails

Role of Group

Reporting

- **Annual report packs**
- **Comparison reports**
- **Performance measurements**
- **KPI**
- **Treasury**
- **Tax**